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Canada. Restrictive Trade
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Report



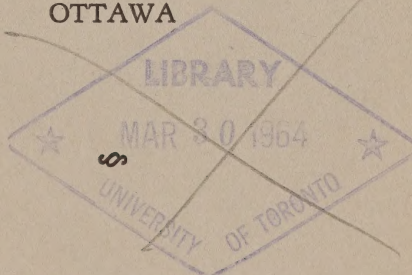
RESTRICTIVE TRADE PRACTICES COMMISSION

REPORT

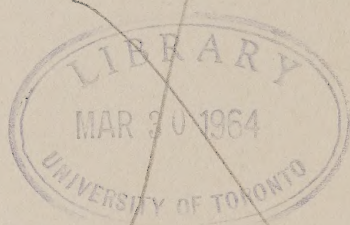
Concerning the Manufacture, Distribution,
Supply and Sale of Belts



DEPARTMENT OF JUSTICE
OTTAWA



ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1960



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RESTRICTIVE TRADE PRACTICES COMMISSION

R E P O R T

CONCERNING THE MANUFACTURE, DISTRIBUTION,
SUPPLY AND SALE OF BELTS

COMBINES INVESTIGATION ACT

Ottawa
1960

ROGER DUHAMEL, F.R.S.C.
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RESTRICTIVE TRADE PRACTICES COMMISSION

OTTAWA

December 16, 1960

Honourable E. Davie Fulton, P.C., Q.C., M.P.,
Minister of Justice,
Ottawa.

Sir:

I have the honour to submit to you herewith the report of the Restrictive Trade Practices Commission dealing with the manufacture, distribution, supply and sale of belts.

The matter was brought before the Commission by the submission of a statement of the evidence obtained in the inquiry by the Director of Investigation and Research under the Combines Investigation Act and has been dealt with in accordance with the provisions of sections 18 and 19 of the Act.

Argument on the Statement of Evidence was heard in proceedings before the Commission in Montreal on April 11, 12, 13 and 14, 1960. At these proceedings Messrs. F. N. MacLeod and A. G. Powell appeared on behalf of the Director of Investigation and Research, and Messrs. Jack Rudner, J. M. Coyne, Irving J. Halperin and A. L. Stein appeared on behalf of various parties mentioned in the Statement of Evidence.

Yours faithfully,

(Sgd.) C. Rhodes Smith

C. Rhodes Smith
Chairman

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CHAPTER I

INTRODUCTION

1. Reference to the Commission

This inquiry, which was conducted by the Director of Investigation and Research, was brought before the Restrictive Trade Practices Commission by the submission of a statement of the evidence obtained in the inquiry, dated December 15, 1959, pursuant to section 18 of the Combines Investigation Act. At the same time that the Statement of Evidence was submitted to the Commission copies were sent by the Director to the parties against whom allegations were made therein.

2. Conduct of the Investigation by the Director

The inquiry was begun on the initiative of the Director in April, 1959 under section 8 of the Combines Investigation Act which prior to its 1960 amendment read as follows:

"8. The Director shall

- (a) on application made under section 7,
- (b) whenever he has reason to believe that section 32 or 34 of this Act or section 411 or 412 of the Criminal Code has been, is being or is about to be violated, or
- (c) whenever he is directed by the Minister to inquire whether any of the sections mentioned in paragraph (b) has been, is being or is about to be violated,

cause an inquiry to be made into all such matters as he considers necessary to inquire into with the view of determining the facts. 1952, c. 39, s. 2."

During the course of the inquiry, under authorization obtained from a member of the Commission, visits were made by

representatives of the Director to the premises of a number of firms engaged in the belt industry and certain documents were taken for copying. After the documents had been copied the originals were returned by the Director to the premises from which they had been obtained. These documents were all marked with code letters in the upper right-hand corner to indicate the particular premises on which they were found, and each sheet of every document was marked with a separate serial number in the lower right-hand corner which enables it to be distinguished from all other documents. In this report the serial number will be given in referring to a particular document.

The Director also asked for and obtained returns of information by way of answers to questionnaires which he sent to a number of firms under the authority of the Combines Investigation Act.

Certain information was also received by the Director by way of affidavits made by some members of the Montreal Dress Manufacturers' Guild, which were submitted to the Director by the Guild.

In the course of the inquiry, the Director applied to a member of the Commission for permission to examine witnesses under oath as provided in section 17 of the Act. Orders to this effect were issued and consequently sworn oral evidence was taken in Montreal from the following witnesses:

<u>Name of Witness</u>	<u>Business Affiliation of Witness</u>	<u>Date of Hearing</u>
Miss Ruth Vogel	Combines Officer	June 16, 1959
Mr. Sam Fridhandler	Sales Manager of Classy Belt Inc.	June 16, 1959
Mr. Sam Fridhandler	Sales Manager of Classy Belt Inc.	July 9, 1959
Mr. Ruben Richman	Secretary of The Belt Manufacturers Association of Montreal*	July 7, 1959
Mr. Moses Rubin	President of Topstyle Belt Inc.	July 7, 1959
Mr. Benjamin Baril	President of Nu-Way Belt Inc.	July 8, 1959
Mr. Louis P. Landry	Combines Officer	July 8, 1959
Mr. Abe Officer	President of DeLuxe Belts Ltd.	July 8, 1959
Mr. David Rubin	Rapid Belt Co. Ltd.	July 8, 1959
Mr. Abe Shuman	Doing business under the name of Service Belt Co.	July 8, 1959

* Hereinafter called the Association.

<u>Name of Witness</u>	<u>Business Affiliation of Witness</u>	<u>Date of Hearing</u>
Mr. Emmanuel Epstein	President of Canada Belt Company Limited	July 9, 1959
Mr. Saul Shalit	Doing business under the name of Banner Belt & Button Co.	July 9, 1959
Mr. Herbert Stein	Executive-Director of Montreal Dress and Sports- wear Manufacturers' Guild	July 9, 1959
Mr. Daniel David Rosenbloom	General Executive of Montreal Dress and Sports- wear Manufacturers' Guild	July 9, 1959
Mr. Menyhart Koffler	Doing business under the name of Koffler Manufactur- ing	Nov. 23, 1959

Mr. Koffler was examined before Mr. C. Rhodes Smith, Chairman of the Commission. All the other witnesses were examined before Mr. A. S. Whiteley, a member of the Commission. During the course of these examinations fourteen exhibits, numbered 1 to 14, were received.

Whenever reference is made in this report to the transcript of the evidence taken during these examinations, it will be made as follows: (Evidence, p. . . .).

3. Allegations Made in the Statement of Evidence

The general allegations contained in the Statement of Evidence are as follows:

"225. It is alleged that, beginning in January 1957 and continuing until the time of commencement of this inquiry in April, 1959 and thereafter, the persons and companies named hereunder were parties to arrangements having or designed to have the effect, throughout the City of Montreal, Quebec and the Metropolitan Area adjacent thereto, of preventing or lessening competition in and substantially controlling the manufacture, distribution, supply and sale of belts to the clothing manufacturing industry, which combination has operated and is likely to operate to the detriment and against the interest of the public within the meaning of Section 2 of the Combines Investigation Act.

226. It is also alleged that, beginning in January 1957 and continuing until the time of commencement of this inquiry in April 1959 and thereafter, the said persons and companies have conspired, combined, agreed and arranged to prevent or lessen unduly competition in the manufacture, distribution, supply and sale of belts to the clothing manufacturing industry in the City of Montreal, Quebec and Metropolitan Area adjacent thereto in a manner contrary to Section 411 of the Criminal Code.

227. The persons and companies referred to in the two immediately preceding paragraphs are:-

Mr. Sam Gilbert, doing business under the firm name of
Atlantic Buckle Co.
1435 St. Alexander Street,
Montreal, P.Q.

Mr. Saul Shalit, doing business under the firm name of
Banner Belt & Button Company,
173 Van Horne,
Montreal, P.Q.

Mr. Emmanuel Epstein, Manager of Canada Belt Company
which became incorporated on September 21, 1959 as
Canada Belt Company Limited,
225 Leige St. West,
Montreal, P.Q.

Classy Belt Inc.
5170 Henri Julien Street,
Montreal, P.Q.

Mr. Lazar Werk, doing business under the firm name of
Crown Leathergoods Co.,
423 Mayor Street,
Montreal, P.Q.

Mr. Henry Chaitman, doing business in a partnership
under the firm name of
Dominion Belt Co.,
209 Vallee Street,
Montreal, P.Q.

Gordon Belt and Novelty Co. Ltd.,
1470 Peel Street,
Montreal, P.Q.

Mr. Walter Greenwald, doing business under the firm name of
Guarantee Belt & Buckle Co.,
5617 Park Avenue,
Montreal, P.Q.

Mr. Harry Suss, doing business under the firm name of
Mira Button & Belt Co.,
10 Ontario Street West,
Montreal, P.Q.

Mr. Hyman Friedman, doing business under the firm name of
Montreal Belt Reg'd.,
1435 Bleury Street,
Montreal, P.Q.

Mr. Leonard Cowan, doing business under the firm name of
National Belt Co.,
2118 Bleury Street,
Montreal, P.Q.

Nu-Way Belt Inc.,
143 Lagauchetiere Street,
Montreal, P.Q.

Parisian Pleating Co. Ltd.,
437-A St. Catherine Street West,
Montreal, P.Q.

Premier Button & Silver Belt, Inc.,
19 Notre Dame Street East,
Montreal, P.Q.

Rapid Belt Co. Ltd.,
307 St. Catherine Street West,
Montreal, P.Q.

Mr. Abe Shuman, doing business under the firm name of
Service Belt Co.,
3430 Park Avenue,
Montreal, P.Q.

Mr. John Boky, Manager of a firm doing business under
the firm name of
Sobo Belt Co.,
4527 St. Dominique Street,
Montreal, P.Q.

Topstyle Belt Inc.,
372 St. Catherine Street West,
Montreal, P.Q.

Mr. David Beiss, prior to March 17, 1959 doing business
under the firm name of

United Belt Co.,
974 St. Lawrence Blvd.,
Montreal, P.Q.

and since then, President of
United Belt Co., Ltd.,
974 St. Lawrence Blvd.,
Montreal, P.Q.

Vogue Belts & Novelties Mfg. Co. Ltd.,
651 Notre Dame West,
Montreal, P.Q.

Mr. Ruben Richman, Secretary, The Belt Manufacturers
Association of Montreal
Room 611,
1449 St. Alexander Street,
Montreal, P.Q."

(Statement, pp. 112-14)

4. Hearing Before the Commission

On receipt of the Statement of Evidence, the Commission, in accordance with the provisions of section 18 of the Act, by an Order dated December 29, 1959, fixed Monday, the 14th day of March 1960, at the hour of 10 o'clock in the forenoon, in a room in Postal Station "B", 685 Cathcart Street, in the City of Montreal, in the Province of Quebec, as the date, time and place at which argument could be submitted by or on behalf of the Director in support of the Statement of Evidence and at which persons against whom any allegation is made therein should be allowed full opportunity to be heard in person or by counsel. Subsequently the hearing was postponed to the 11th day of April 1960, at the request of counsel for many of the parties.

At the hearing, which was held on April 11, 12, 13 and 14, the following appearances were entered:

MR. F. N. MacLEOD, and) for the Director of
MR. A. G. POWELL) Investigation and Research

MR. JACK RUDNER, and) for Gordon Belt & Novelty Co. Ltd.,
MR. J. M. COYNE) Nu-Way Belt Inc., Parisian
Pleating Co. Ltd., Premier
Button & Silver Belt, Inc.,
Rapid Belt Co. Ltd., Topstyle
Belt Inc., Vogue Belts &
Novelties Mfg. Co. Ltd. and
Messrs. Sam Gilbert, Emmanuel
Epstein, Henry Chaitman, Walter
Greenwald, Harry Suss, Leonard
Cowan, Abe Shuman, John Boky,
David Beiss, Ruben Richman, L.
Werk and H. Friedman

MR. IRVING J. HALPERIN for Classy Belt Inc.

MR. A. L. STEIN for Messrs. Howard Ungar, Nathan
Libman, Daniel David Rosenbloom,
Morris Zinman and George
Coviensky, witnesses.

Mr. Saul Shalit (Banner Belt &
Buckle Co.) was not represented.

Before argument was heard by the Commission, certain
exhibits, numbered H-1 to H-12, were received and the following
witnesses were examined:

<u>Name of Witness</u>	<u>Business Affiliation of Witness</u>	<u>Date of Examination</u>
Mr. H. H. Stein	Executive-Director of Montreal Dress and Sports- wear Manufacturers' Guild	April 11, 1960
Mr. Daniel David Rosenbloom	General Executive of Montreal Dress and Sports- wear Manufacturers' Guild	April 11 and 12, 1960
Mr. Emmanuel Epstein	President of Canada Belt Company Limited	April 11, 1960
Mr. Leon Hantin	President of Budget Fashions Inc.	April 11, 1960
Mr. Frank Schleifer	President of Allendale Sportswear Ltd.	April 11, 1960
Mr. Howard Ungar	Secretary-Treasurer of Jody Inc.	April 11 and 12, 1960

<u>Name of Witness</u>	<u>Business Affiliation of Witness</u>	<u>Date of Examination</u>
Mr. Nathan Libman	President of Libby Dress Co. Ltd.	April 11, 1960
Mr. Seymour Pleskin	President of Pleskin Inc.	April 11, 1960
Mr. Morris Zinman	Vice-President of Sample Dress Inc.	April 12, 1960
Mr. George Coviensky	Secretary-Treasurer of Harold Williams Inc.	April 12, 1960
Mr. Gerard Smiley	President of Classy Belt Inc.	April 12, 1960
Mr. Sam Fridhandler	Sales Manager of Classy Belt Inc.	April 12 and 13, 1960
Mr. Ruben Richman	Secretary of the Belt Manufacturers Association of Montreal	April 12, 1960
Mr. David Rubin	President of Rapid Belt Co. Ltd.	April 12 and 13, 1960
Mr. Walter Greenwald	Doing business under the firm name of Guarantee Belt & Buckle Co.	April 13, 1960
Mr. Benjamin Baril	President of Nu-Way Belt Inc.	April 13, 1960
Mr. Moses Fine	President of Vogue Belts and Novelties Mfg. Co. Ltd.	April 13, 1960
Mr. Sam Gilbert	Doing business under the firm name of Atlantic Buckle Co.	April 13, 1960
Mr. John Boky	Doing business under the firm name of Sobo Belt Co.	April 13, 1960
Mr. Bernard Schwartz	Vice-President of Premier Button & Silver Belt, Inc.	April 13, 1960
Mr. Henry Chaitman	Doing business in a partner- ship under the firm name of Dominion Belt Co.	April 13, 1960
Mr. Alan Salonin	President of Parisian Pleating Co. Ltd.	April 13, 1960
Mr. David Beiss	President of United Belt Co. Ltd.	April 13, 1960

Whenever reference is made in this report to the transcript of the hearing before the Commission, it will be done as follows: (Hearing, p. . .).

5. Position Taken by the Respective Parties with
Respect to the Allegations

In giving notice of the hearing, the Commission, in accordance with its usual practice, had requested the parties to submit, in advance of the hearing if possible, a statement indicating the position taken with respect to the facts and conclusions set out in the Statement of Evidence. Two briefs were submitted to the Commission, one by Mr. Halperin on behalf of Classy Belt Inc., the other by Mr. Rudner on behalf of his clients.

The brief submitted on behalf of Classy Belt Inc., denies some of the evidence contained in the statement submitted by the Director, but indicates the intention of counsel not to tender any evidence in contradiction thereof.

As to the conclusions drawn by the Director, the brief does not dispute the allegations as to the existence of arrangements which had the effect of lessening competition in the belt manufacturing industry or as to the illegal character of the objectives and policies of the Association. However, it is contended on behalf of Classy Belt Inc.,

- 1) that its decision to become a member of the Association was arrived at in desperation and taken in order to protect the very survival of the firm as a belt manufacturer,
- 2) that in June of 1959, it had the courage to resign and withdraw from the Association and
- 3) that it has no intention of ever again being affiliated with the Association or any other organization with similar objectives.

The brief submitted by Mr. Rudner on behalf of his clients indicated the intention of counsel

" . . . to lead evidence -

- a) As to the nature of and conditions prevailing in the Belt Manufacturing Industry and the Dress Manufacturing Industry in the City of Montreal during the five years preceding the Investigation, which we believe to be quite unlike any other Industry in Canada.

- b) Showing the high degree of competition, both fair and unfair, actual and potential, prevailing in that 'market' or 'industry'.
- c) Demonstrating that the persons, firms or corporations 'named' at no time controlled the said 'market' or 'industry' or fixed the prices prevailing therein, and could not have done so had they wished.
- d) Demonstrating the need of The Belt Manufacturers, due to the extreme economic pressure to which they were subject, for a Trade Association, to provide for the interchange of information between Members and for the implementation of the other objects stated in the Association's Letters Patent of Incorporation, which were the basic reason for the meetings and 'arrangements' referred to by the Director.
- e) Illustrating the true nature of the operations conducted by the Belt Manufacturers, and the oppressive methods conducted by the Dress Manufacturers in pitting one against the other, so as to get a price for a belt or other accessory, which did not leave room for a profit or for other than a meagre living to the Belt Manufacturers.
- f) To the effect that the acts of any of the persons, firms or corporations 'named' in the Statement of Evidence could not affect the members of the public, in that any differences in the prices of belts would not affect the selling price of the total garment, such as ladies' dresses, etc., from the dress manufacturer to the retailer, or from the retailer to the ultimate consumers."

Furthermore the brief took issue in a general way with the conclusions arrived at by the Director and indicated the intention of counsel to show:

- "a) That the Director did not take into consideration any of the economic circumstances affecting the Industry, and therefore reached conclusions which are unwarranted if all the relevant circumstances are taken into account.
- b) That there was never any agreement to lessen competition unduly.
- c) That there was no agreement to fix prices on an Industry basis.

- d) That the Belt Industry was depressed, and that what the Members were attempting to do was, by ethical means and not in violation of any Law, to lift up the Industry in order to be able to earn a minimum living wage and protect their investments in their businesses."

6. Amendment to Section 19 of the Act

An amendment to section 19^{*} of the Combines Investigation Act, made in the summer of 1960, requires the Commission to make a finding as to whether the arrangement relates only to one or more of the matters specified in sub-section (2) of

* Subsection 19 (1a) of the Act reads:

"(1a) Where it appears from proceedings taken under section 18 that a conspiracy, combination, agreement or arrangement has existed, the report under subsection (1) of this section shall include a finding whether or not the conspiracy, combination, agreement or arrangement relates only to one or more of the matters specified in subsection (2) of section 32 and, if so, shall include a finding whether or not the conspiracy, combination, agreement or arrangement, has lessened or is likely to lessen competition unduly in respect of one of the matters specified in paragraphs (a) to (d) of subsection (3) of section 32, or has restricted or is likely to restrict any person from entering into or expanding a business in a trade or industry."

section 32 * and, if so, to make a further finding as to whether the arrangement has lessened or is likely to lessen competition unduly in respect of one of the matters specified in paragraphs (a) to (d) of subsection (3) of section 32 * or has restricted or is likely to restrict any person from entering into or expanding a business in a trade or industry. In our opinion the Commission must comply with this amendment even though the alleged arrangements and activities were made and pursued prior to its enactment. It should not be objected that by so doing we are interpreting the law so as to give a retroactive effect to it. No individual rights are affected by this report. No penalty is imposed. The Commission is only complying with a duty imposed upon it in specific terms.

* Subsections (2) and (3) of Section 32 reads:

"(2) Subject to subsection (3), in a prosecution under subsection (1) the court shall not convict the accused if the conspiracy, combination, agreement or arrangement relates only to one or more of the following:

- (a) the exchange of statistics,
- (b) the defining of product standards,
- (c) the exchange of credit information,
- (d) definition of trade terms,
- (e) co-operation in research and development,
- (f) restriction of advertising, or
- (g) some other matter not enumerated in subsection (3).

(3) Subsection (2) does not apply if the conspiracy, combination, agreement or arrangement has lessened or is likely to lessen competition unduly in respect of one of the following:

- (a) prices,
- (b) quantity or quality of production,
- (c) markets or customers, or
- (d) channels or methods of distribution,

or if the conspiracy, combination, agreement or arrangement has restricted or is likely to restrict any person from entering into or expanding a business in a trade or industry."

CHAPTER II

THE "CUT-UP" SECTOR OF THE BELT INDUSTRY

1. Definition of the "Cut-up" Belt Trade

Belt manufacturers make belts for sale in retail stores and also make belts for clothing manufacturers. This latter section of the industry is known as the "cut-up" belt trade and will be referred to in this way in this report.

According to the Statement of Evidence, which is confirmed on this subject by evidence given at the hearing before the Commission (Hearing, pp. 259, 283), the "cut-up" belt trade presents the following features:

"7. The making of belts for the 'cut-up' trade is clearly a specialty business. While a belt may be considered to be an article of clothing it is not necessarily a complicated one. Ordinarily, belts have the main outside material, which in the case of sales to clothing manufacturers is frequently the same material as that of the garment for which the belt is being made, a backing for this material and a buckle. The belt manufacturer's operations involve the cutting and sewing of these materials in appropriate ways and the installation of eyelets. . . . While labour expense is significant in the operations of a belt manufacturer figures for several firms that were found at the association office indicate that as a percentage of sales it varied widely as between the different companies in some cases being at about 20% and in others around 40% and in one case approximately 50% (CMH 0105B, 262; CMH 0128C, 268; CMH 0120B, 270; CMH 0115C, 273; CMH 0112B, 275; CMH 0130B, 284; CMH 0125B, 286; CMH 0116A, 287; CMH 0123, 290; CMH 0106A, 291).

. . .

18. A feature of the 'cut-up' trade in Montreal is that its customers, who are for the most part manufacturers of ladies

clothing, need a local source of supply. . . .

19. Other evidence also shows that service from local manufacturers was considered to be most important to clothing manufacturers (Evidence, pp. 45, 178, 370-371) and that some clothing manufacturers kept their connection with particular belt manufacturers over an extended period of time (Evidence p. 178)."

(Statement, pp. 5, 9, 10)

2. Formation of the Belt Manufacturers Association of Montreal

The possibility that workers in the belt industry might be organized as a labour union seems to have been largely responsible for the formation of the Association (Evidence, pp. 31, 264, 340-41). Apparently the belt manufacturers felt that the formation of an association would put them in a better bargaining position if a labour union was established (Serials 40-42 at p. 3).

According to the minutes, the purpose of a meeting held on January 9, 1957 was the formation of an association to represent the belt industry in the City of Montreal. As explained by the Chairman, Mr. David Rubin, of Rapid Belt Co. Ltd., the object of the association was to stabilize the men's and ladies' belt industry and by stabilization was meant:

- "a) some control over business ethics;
- b) lowering duty on the importation of moulds from the United States;
- c) increasing duty on the importation of finished belts from the United States;
- d) to prevent the piracy of employees in the industry;
- e) to establish a means of giving credit information to members of the association; and
- f) generally to do all things that would rehabilitate the belt industry, which has deteriorated for some years."

(Serial 40)

Nineteen of the belt manufacturers represented at the meeting signed a Memorandum of Agreement agreeing to become incorporated as a corporation without share capital, under the provisions of Part 3 of the Quebec Companies Act. Motions were

passed unanimously to the following effect:

- 1) That the Association incorporate under the name of "The Belt Manufacturers Association of Montreal" or such other name as the Lieutenant-Governor in Council may see fit to grant;
- 2) That Mr. Jack Rudner, Advocate, be authorized to proceed with the incorporation of the said Association;
- 3) That Mr. M. Mendell be elected as temporary president of the Association;
- 4) That a temporary committee be constituted to deal with the attorney, take all steps necessary for the organization of the association and make reports to the membership at the proper times;
- 5) That an initiation fee of \$50 be paid by the signatories of the Memorandum of Agreement either immediately or within a delay of three months and that same be applied as an account payment of the initiation fee or the monthly or annual fee of the Association, when same will be fixed.

3. Organization of the Belt Manufacturers Association of Montreal

(a) Incorporation

The Belt Manufacturers Association of Montreal was incorporated on February 23, 1957 by Letters Patent under the Quebec Companies Act (Evidence, p. 129; Serial 53).

(b) By-laws

The evidence shows that draft by-laws for the Association were prepared. However, it is doubtful whether or not they have ever been approved. It seems rather that the activities of the group were carried on without the help of any formal by-laws (Evidence, pp. 43-44).

(c) Officers of the Association

According to the evidence, Mr. M. Mendell, of Canada Belt Company Limited, one of the oldest firms of the industry, was appointed president of the Association. He fell ill around July 1958

and died in June 1959, but no successor was appointed (Evidence, pp. 131-32).

While the Association may have elected a complete executive early in its life in accordance with the draft by-laws, it seems that no election took place between July 1957 and the commencement of the inquiry in April 1959. Apart from the office of president, the only office which is known to have ever been filled is that of secretary. In the early days, Mr. Sam Fridhandler, of Approved Accessories Inc., and later of Classy Belt Inc., acted as recording secretary (Hearing, pp. 412-13). From July 1, 1957, Mr. Ruben Richman acted as association secretary and director on a part-time basis (Evidence, pp. 129-31).

(d) The Grievance Committee

The draft by-laws of the Association provide for a grievance committee which ". . . shall consist of three (3) members, to be designated by the President, at least one (1) of whom may be a member of the Board of Directors." (Serial 374). However, according to an undated document (Serial 313) which was said to have been written before November 1957 (Evidence, p. 37) there was a Chairman, Mr. David Rubin, of Rapid Belt Co. Ltd., and five members, Messrs. H. Friedman, of Montreal Belt Reg'd., B. Schwartz, of Premier Button & Silver Belt, Inc., B. Baril, of Nu-Way Belt Inc., A. Shuman, of Service Belt Co. and H. Chaitman, of Dominion Belt Co. Finally, at a meeting of the Association held on May 6, 1957, the Grievance Committee was reconstituted as appears from the following extract from the minutes:

". . .

It has been found having various members serving on Grievance Committee has resulted in Grievance Committee decisions being too harsh or too lenient. To avoid situations such as these it was decided to form a permanent Grievance [sic] Committee to consist of the following 6: Messrs. D. Rubin, H. Chaitman, S. [B.] Schwartz, A. Shuman, D. Baril and M. Rubin [of Topstyle Belt Inc.]. All future Grievance Committee meetings are to be attended by at least two of this group. The member filing the grievance to designate 1 member to represent him. The member against whom the grievance is filed to designate one other to represent him and the Secretary to complete a 5-member Committee."

(Serials 336-37 at p. 2)

Though it does not seem to have been given a permanent membership until May 6, 1958, the Grievance Committee has always been very active and, according to the testimony of Mr. Fridhandler, was "the driving force of the Association" (Evidence, p. 38). According to the draft by-laws, the functions of the Grievance Committee were:

" . . . to arbitrate and/or to do any and everything necessary and possible to adjust all grievances, disputes, differences and complaints that may arise

(a) between members of The Association

(b) between a member of The Association and any third person with whom such member has business relations."

(Serial 374)

The evidence shows that many disputes were settled through the Grievance Committee (serials 118-21, 328-30; Evidence, pp. 62-63, 76-79, 193-94, 204, 246-48, 285-87). Some of these disputes involved price problems (Evidence, pp. 246-48, 285-87). This point is particularly well illustrated by the following evidence given by Mr. Abe Shuman:

"MR. POWELL:

I show you a document, serial 118 to 121. This is from the Association office. I draw your attention to serial 121, in particular to the dates of September 23rd and 26th, 1958. 'Montreal Belt versus Sobo - re Libby Dress Russ Waterman Etc.' Then it shows that D. Rubin, Mr. Baril, Mr. H. Chaitman, Mr. Shuman, Mr. Freedman [Friedman] and Mr. Bucky [Boky] were present. Then on the 26th they continued this meeting. Do you recall this meeting?

A. I think so, yes.

Q. Would this be a meeting of the Grievance Committee?

A. Yes.

Q. Do you recall what the grievance was?

A. I think the grievance was that Mr. Buckey and Mr. Freedman had an agreement to use a certain type of lining on a belt they were using for Libby Dress and Mr. Buckey put on a better lining.

Q. At the same price?

A. I think so.

Q. Why did it take two meetings to dispose of this?

A. I could not recall that.

Q. What would be the line of discussion at the meeting?

A. Well, they would ask Mr. Buckey to put on the cheaper backing.

Q. How long would a meeting like this go on?

A. Well, usually one session, one night.

Q. There were two sessions here on the same subject. Do you recall why two were necessary?

A. No.

Q. Would there be any requirement for Mr. Buckey to raise his price if he was going to use the superior backing?

A. I do not think so.

Q. Why should he not use the superior backing if he wanted to do so?

A. He could very well but in that way Mr. Freedman would have to.

Q. And they had an understanding that they would not at this price?

A. That they would not at that price

Q. So a belt with a backing should have been carrying a higher price?

A. I imagine so.

Q. One way or another there was a dispute about the serving of this particular customer's account.

A. About the lining they were using.

Q. About the service; that is, about the belt they were providing?

A. That is right.

Q. Do you know how this thing was resolved?

A. No.

MR. RUDNER:

Did one require an Association to arrive at such an understanding or could it have been done without?

A. Without.

MR. POWELL:

Does the Grievance Committee work as an arbitration committee too in disputes of this kind?

A. What do you mean by an arbitration?

Q. Well, it hears the evidence for both sides and then hands down a decision?

A. Sometimes.

Q. That could not be handled by two people themselves without a third party?

A. It could if one would use a certain type of backing by error or because of not having it in stock.

Q. But when it got to the real dispute they went to the Association Grievance Committee for arbitration?

MR. RUDNER:

Was the Association's Grievance Committee actually concerned with their deal with regard to what backing they were to use or not to use?

A. No, Mr. Freedman came up and said Mr. Buckey was using the other type of lining, and it was unfair he said.

MR. POWELL:

And that was a subject worthy of the consideration of the Grievance Committee?

A. Yes."

(Evidence, pp. 246-48)

Finally, as will be seen later (Chapter III), underquoting a fellow-member could be the subject of a grievance.

4. The Control of the Association over the "Cut-up" Belt Trade

The belt sales of member firms to clothing manufacturers were reported for 1957 and 1958 in the returns of information. In the aggregate, they amounted to approximately \$1,505,000 in 1957 and \$1,485,000 in 1958. The only other belt manufacturers that were known to be interested in the "cut-up" belt trade were DeLuxe Belts Ltd., Super Belt Company, Monarch Belt and Leather Goods, Artistic Pleating Company, C & C Belt., Koffler Manufacturing, Gold Belt and Frank Struzer. The Director secured information as to sales of all these non-Association belt manufacturers except the last two. For each of the years 1957 and 1958, they amounted in total to less than 6% of the aggregate sales of belts to the clothing trade by members and non-members together. Moreover, it does not seem that this percentage would be raised materially by taking into consideration the sales of Frank Struzer and Gold Belt. For example, while several witnesses were asked to give the names of non-member firms (Evidence, pp. 21, 156, 159-61, 256, 368 and 447), only Mr. Richman mentioned Gold Belt (Hearing, pp. 275, 291) and Frank Struzer (Evidence, pp. 159-60) and the latter was said to be working primarily for chain and department stores. Again, there is evidence to the effect that, with the exception of Classy Belt Inc. which resigned in June 1959 and DeLuxe Belts Ltd., which left the Association around the end of July 1957, no competitor outside the Association was of any concern to the members (Evidence, pp. 214, 256). The outsiders are described as "very small outfits" and as "minor nuisances" in a document sent in February 1957 to Mr. Henry Chaitman by Mr. Sam Fridhandler, then acting as Recording Secretary, and hereinafter referred to as the "D-Day Letter" (see Appendix). Finally a copy of the minutes of an Association meeting held on June 10, 1959 refers to Classy Belt Inc., DeLuxe Belts Ltd. and C & C Belt as the only non-members (Exhibit 13).

To appreciate the extent of the control of the Association over the "cut-up" belt trade in Montreal, it must be borne in mind that to its customers, who are for the most part manufacturers of ladies clothing, quick service and delivery are of paramount importance. For this reason, a local source of supply is needed which precludes purchases to any significant extent from other centres in Canada or abroad. However, a large dress manufacturer might set up his own belt plant if he considered this advantageous. This was done in at least one instance according to the evidence given by Mr. H. Herbert Stein, Executive-Director of the Montreal Dress Manufacturers' Guild (Evidence, p. 370).

Consideration must also be given to the fact that to a large extent belts are a style item for which there is no substitute. This situation is not materially affected by the fact that from time to time dresses without belts may come into fashion (Hearing, p. 282).

CHAPTER III

ACTIVITIES OF THE ASSOCIATION

1. Labour Relations

As shown previously, an attempt to organize workers in the belt industry into a labour union led to the formation of the Association. However, unionization did not materialize and consequently the original purpose of the Association was soon relegated to the background as appears from the evidence of a former member, Mr. Abe Officer, of DeLuxe Belts Ltd.:

"Q. When you were first a member of the Association what did you understand were to be its functions?

A. Well, I was invited up to the hotel one night. I do not remember by whom or why, but when I arrived there I saw Mr Chaine of the International Ladies Garment Workers and he laid down a proposition whereby it would be to our mutual benefit - that is, the Belt Manufacturers Association - if we formed an Association and then agreed to unionize our employees as a whole, and he pointed out to us that the whole thing of becoming unionized would only increase the cost of belts, the manufacturing cost, a cent or two each. At that time the belt business was in a terrible condition. The competition was very keen, there was no bottom to the lowness of the prices that the belts were offered for. Myself being one of the leading makers, in my opinion of course, of belts I thought it was a wonderful idea if they could get all the belt people together, unionize them, put a ceiling on the amount of hours the manufacturers would work with their employees, and consequently I felt that the belt business would be on a more stable basis. And I was quite enthusiastic about it. The first thing they did, they asked for a certain amount of money to form this Belt Association. They assessed me, if I remember correctly, the amount of \$50.00. After that we had several meetings and at these meetings they got away from the fact that the

original intention was to have a union and they claimed that a union was not necessary, and that they would run the thing without a Union. After a further little while - I do not remember how long - just before the time I resigned from them, I came to the conclusion that the Association without any union or joint committee to put restrictions on the amount of labour that they put into the trade or into the belts was not going to be good and that it would be of absolutely no benefit to me in any way, so I resigned."

(Evidence, pp. 340-41)

2. The D-Day Letter

Shortly before March 1, 1957, Mr. Sam Fridhandler, then acting as Recording Secretary, wrote to Mr. Henry Chaitman of Dominion Belt Co. as follows:

"I am enclosing herewith a summary or guidance instructions for approval by the executive. This suggested guide would be used by the 'Education Committee' in its work of preparing members for 'D' day (March 1st).

I would suggest that members be summoned in small groups before this Educational committee before next Tuesdays meeting so that they know what is expected of them after March 1st. If there is something which they do not agree with they will have their opportunity to voice their objections at the next general meeting. It is imperative that 100% unanimous approval be had from every member to every aspect of this plan. Any discension [sic] must be ironed out before the plan goes into operation.

Should the executive feel that I should take on the chairmanship of this Educational committee I will be glad to accept this responsibility. Should there be anyone else that the executive feels is more suited for this position, please feel free to use this prepared guide if acceptable.

Trusting this enclosure will prove of some worth to the executive and awaiting your further decision, I remain

Cordially yours,

(Sgd.) S. Fridhandler

SF/s

Sam Fridhandler

P.S. I have made two extra carbon copies of the enclosures

should you wish to have one forwarded to any other member of the executive."

(Serial 2; see Appendix)

Attached to the document was the so-called D-Day Letter reproduced at length in the Appendix. In his testimony, Mr. Fridhandler said he did not recall having sent a copy of these documents to anyone except Mr. Chaitman (Evidence, pp. 33, 439; Hearing, p. 414). Mr. Richman said he never saw or heard of the documents until the investigation started (Hearing, p. 277). Mr. David Rubin of Rapid Belt Co. Ltd. said that he did not receive them, but that he saw them shortly after they were written. According to his own evidence, he immediately phoned Mr. Fridhandler to warn him "he was going about things the wrong way" (Evidence, pp. 335-36). As it seems that the D-Day Letter was neither circulated among the members nor formally approved at a meeting (Hearing, pp. 419, 422), it is of importance to know how it was prepared and whether or not it was implemented.

With respect to the first point, Mr. Fridhandler said that the various ideas contained in the D-Day Letter had been tabulated by him from notes of general discussions at meetings of the Association (Evidence, p. 437). This is corroborated by the testimony of Mr. Abe Officer of DeLuxe Belts Ltd. who said that, before he resigned from the Association, there had been discussions at the meetings along the lines of the general subject matter of the D-Day Letter (Evidence, p. 342). This is in accordance with the D-Day letter itself, which says in paragraph 4 under the title "Things to expect around 'D' Day":

" . . . In the past few months most members have effectively executed a large number of price increases to their own customers by following these rules. It is therefore an established fact that this formula can work effectively if there is 100% co-operation . . ."

(Serials 2-5 at p. 5; see Appendix)

On the question of whether or not the plan was generally implemented, Mr. Fridhandler said that "basically a lot of this was instituted" (Evidence, p. 437) and that it was "not completely" put into operation (Hearing, p. 414). Moreover it is in evidence that the D-Day Letter was implemented on certain specific points. Thus an Educational Committee was set up (Evidence, p. 34). Secondly, as we already know, a Grievance Committee was appointed and performed its duties. Thirdly, if the Association never had a "full time administrator", it secured the services of both Mr. Richman and an

auditor (Serials 315-17). Finally, it is clear from various sources of evidence, that shortly after the D-Day Letter was sent to Mr. Chaitman, some price increases took place after a long period of stable prices. On March 13th, 1957, Dominion Belt Co. gave the following notice to its customers:

"March 13th, 1957.

Dear Sir:

For the last few years the cost of material, general operating expenses and labour have steadily increased and now we find it impossible to absorb these increases any longer.

To Be Able To Give You

- (1) Fast dependable service on orders and samples
- (2) Produce any (but any) styl of belt you need
- (3) Maintain top quality standards

We employ highly skilled people and must pay them accordingly.

Will you bear in mind when Leonard of [or] Willie call that it is our increased costs that force us to increase our prices.

Yours very truly,

DOMINION BELT CO.

HC:df

(Sgd.) H. Chaitman "

(Serial 13)

Around the same time, Rapid Belt Co. Ltd. (Serials 80-82; Evidence pp. 333-35), Classy Belt Inc. (Evidence, p. 437) and, according to the opinion of Mr. David Rubin (Evidence, p. 334), all the other members gave notice to the same effect to their customers. Mr. David Rubin added that despite the notice Rapid Belt Co. Ltd. did not in fact raise its prices:

"Q. Did you increase your prices at that time?

A. No, I did not.

Q. Why did you send this letter to your customers?

A. Because the Union were trying to intimidate us to join and the Union told me they were going to the dress manufacturers and tell them, my Union customers, not to give Rapid Belt work unless he joined the Union, so I wrote this form letter to my customers telling them we had been absorbing costs but it would be impossible to absorb any more costs, and if we were forced to join the Union they would have to pay any additional increases we gave employees."

(Evidence, pp. 333-34)

It is in evidence that Guarantee Belt & Buckle Co. (Hearing pp. 345-50), Dominion Belt Co. (Hearing, p. 395), Nu-Way Belt Inc. (Hearing, p. 357), Sobo Belt Co. (Hearing, p. 375) raised the prices of some belts.

The Association also pursued other activities not described in the D-Day Letter, but connected with similar or related objectives. Such were the registration of accounts, the restriction of canvassing, the agreements concerning price increases and discounts, the prohibition of the "piracy" of employees, the setting of an initiation fee and the attempts to interfere with the business of non-members.

3. The Registration of Accounts

In his evidence, Mr. Richman said:

"A. We have a list of all accounts serviced by the belt people. We have a record of everybody in the needle industry who uses belts. At any time they open a new account they register that account with us."

(Evidence, p. 142)

Asked what was the purpose of such an arrangement, Mr. Richman said it was for credit purposes:

"Q. What is the point of registering an account?

A. There are various statistical reasons. One is that as a credit association* - and we have been a credit association for thirty-one years - I very often hear things in the trade pertaining to credit. When I say 'hear things' I mean that I get information as a credit association. I know at a glance who is working in the account; I know who is working anywhere. These fellows** took a \$3,700.00 licking in a failure last October. I warned them on that account to get out because the account was in trouble. I know right now if my girl says 'I have a report on 'X' account inside thirty seconds I know who is working in such an account, and if they have work on hand they are advised 'Don't deliver until clarified'. "

(Evidence, p. 143)

Mr. Abe Shuman (Evidence, p. 238), of Service Belt Co., and Mr. Moe Rubin (Evidence, pp. 102-05), of Topstyle Belt Inc., gave evidence to the same effect.

On the other hand, according to the testimony of Mr. Fridhandler, the purpose of registering accounts was twofold:

"A. Two purposes: One is that they would have this information as a threat if anyone stepped out of line; and the other is that they could communicate with each other as to pricing of materials for the respective people.

Q. You say it would be of use as a threat?

A. Yes, it was obtained under the threat and used thereafter as a means of threat."

(Evidence, p. 39)

* As already indicated, Mr. Richman was working for the Association on a part-time basis. He stated that he also acted as Secretary-Director of the Textile Wholesalers Association and Credit Association to which he was referring at this point.

** The Evidence of Mr. Richman which follows immediately after this quotation clearly shows that by "these fellows" he meant the belt manufacturers.

Mr. Fridhandler also gave the following evidence:

"Q. Was the arrangement then that when the belt manufacturer came on to the new account at the request of the dress manufacturer one of the things he was required to do under the arrangements was to communicate with the previous belt supplier and find out what prices were being quoted and not to underquote those prices?

A. That is right.

Q. That was basic to the operation of the whole affair?

A. That is right.

Q. Do you say that was the basic arrangement in the operation of the Association as far as price matters were concerned?

A. That is right."

(Evidence, p. 425)

Finally Mr. Fridhandler said that failure to check the price before quoting to a new customer could be the subject of a grievance and that three members had been required on that ground to withdraw from a new account: Montreal Belt Reg'd. from Libby Dress (Evidence, p. 424), Mira Button & Belt Co. from Style & Value (Evidence, p. 424) and Crown Leathergoods Co. from Daimor Pants. With respect to this last matter, Mr. Fridhandler gave the following evidence:

"Q. At the top of the next page there is an entry under September 18th, 1958, 'Guarantee - Silver Belt re Style & Value - Grievance left open Crown vs Classy re Daimor .. no belts nor tabs for 3 months from today.'

A. That is the same matter.

Q. And this settled it?

A. Yes, he agreed he would step out of there for three months.

Q. Who agreed?

A. Crown.

Q. And that was the sanction imposed?

A. That is right.

Q. What had he been doing that caused the trouble?

A. He was making some item for them without checking on price, contrary to the rules."

(Evidence, p. 76)

That the registration of accounts had something to do with pricing is corroborated by evidence from three sources: the dress manufacturers and more particularly Mr. Schleifer (Exhibit 14; Hearing, pp. 86-87), a non-member, Mr. Abe Officer and a member, Mr. Saul Shalit. As to benefits of Association membership, Mr. Officer testified as follows:

"A. Well, they represented to me that if I joined the Association I would have an easier time in dealing with my customers, I would not have to worry about the competition the way I have to and have had to all these years and to date."

(Evidence, pp. 343-44)

As to Mr. Shalit, his evidence is as follows:

" MR. RUDNER:

. . .

Q. . . . We are asking you whether the Association has as a body, or through a Committee or through an officer, warned you or any other member to your knowledge, that you cannot offer a similar type of belt, put it that way, at a price less than the manufacturer is paying at that time to another member of the Association?

A. We were asked not to.

MR. POWELL: And did you understand that as a member of the Association you had agreed that you would not?

A. I had agreed that I would not cut my price in that respect.

Q. Was it your understanding of the arrangements in the Association that the members would respect your prices?

A. For a similar Belt?

Q. Yes.

A. Yes.

Q. That was your understanding?

A. Yes."

(Evidence, p. 393)

That some lists of accounts were obtained under threat of competitive action is indicated by a "Newsletter" sent out to members on September 5, 1957 (Serial 110) and by the following extract from the minutes of a meeting held on September 4, 1957:

" . . .

It was reported 8 members have not yet submitted their listings, after considerable discussion the Secretary was advised to call each of these members and advise them they had 48 hours in which to submit their listings otherwise their accounts would be considered open accounts. . . .

. . ."

(Serials 356-57 at p. 2)

Questioned concerning open accounts, Mr. Fridhandler, who shortly before had resigned from the Association, gave the following evidence:

"Q. Would your accounts be known in the Association as open?

A. From my experience in the past I would say yes.

Q. That is to say, an account of somebody who is not a member?

A. Yes, they can quote whatever they want and to whatever they want.

- Q. And before your resignation your accounts were not open accounts?
- A. That is right.
- Q. And after the resignation the accounts which you alone worked became open accounts?
- A. It appeared so.
- Q. Had any other manufacturers' accounts been considered open accounts while you were a member of the Association?
- A. Yes.
- Q. Whose?
- A. Top Style Belt's.
- Q. When they were out?
- A. Yes.
- Q. The result of that was what?
- A. Other belt men quoted whatever prices they wanted to quote without any restrictions of any kind.
- Q. The result would be that Top Style's customers got better prices?
- A. That was the effect.
- Q. Did anything like that happen when Vogue Belt left?
- A. I am not sure in that case. He was given a lot of leeway. I do not know whether that actually happened."

(Evidence, p. 445)

Finally the assertion of Mr. Fridhandler to the effect that underquoting could be the subject of a grievance is corroborated by the testimony of Mr. Moe Rubin (Evidence, p. 111).

4. The Registration of "Specials"

Some of the accounts listed with the Association were called "specials".

Messrs. Shuman, Richman and David Rubin said such listings were used for credit purposes. This is corroborated by the following extract from the minutes of an Association meeting held on October 7, 1958:

" . . .

A long discussion was held regarding 'Credit Specials'. It was felt in view of the recent loss of a substantial amount of money by several of our members involved in bankruptcies something definitely should be done to protect members. Particularly in view of conditions in General in the needle industry it was decided any member having an account by whom he is owed money for a period of 90 days date of invoice will be permitted, by submitting a detailed statement of the account, to list the account as 'Credit Special'. No other member will be permitted to do work for this particular manufacturer until the past due portion of the account has been paid. Because our industry is primarily labour it was agreed even 90 days was exceptionally long terms. Where 2 or more members are working in the same account, they must go along automatically if the 'Credit Special' is requested by anyone. This 'Credit Special' is to remain on the records and be in effect for 6 months from date of registration.

. . . "

(Serials 328-30 at p. 1)

During his first examination, Mr. Fridhandler, confronted with the document, said that "the set up was there" but that "it was used very sparingly because in most cases the belt men were so afraid of losing an account that it was not taken advantage of" (Evidence, pp. 59-60). During his second examination, he said: "I do not think it was ever used I do not recall it ever being used." (Evidence, p. 450).

Both Messrs. Shuman and Richman testified that the listing of specials was an attempt to prevent the dress manufacturers from playing one belt manufacturer against another. Mr. Richman's evidence is as follows:

"A. . . . We found certain manufacturers were being very unethical in so far as the season would start and they would get samples and they would make what they call duplicates, copies of samples, and then when the season would start they would call in fifteen belt men and play one against the other. The initial price would be fifteen cents and he would tell the second belt man 'I can get it for fourteen and a half cents' and he would tell the third, 'I can get it for fourteen', and by the time he was ready to start he could get it for nine cents. The boys were getting kicked around because the industry was desperate for work. Some of them were working on a losing basis and they decided they did not want to be footballed by dressmen, so we warned the boys who were being played one against the other of the conditions, and that was another reason for specials."

(Evidence, pp. 146-47)

Questioned on the matter, Mr. Fridhandler said he had never heard of a special being registered on the basis of samples (Evidence, p. 449). This is corroborated by the following extract from the minutes of a meeting held on July 10, 1957, this however being only a few days after the services of Mr. Richman had been engaged by the Association:

" . . .

The question was raised of the recourse members had in cases where they sample accounts and the account subsequently placed orders elsewhere.

After lengthy discussion it was agreed there was nothing we as an Association could do because manufacturers have the right to order wherever they wish and members have no recourse.

. . . "

(Serial 366)

Messrs. Shuman, Richman and Fridhandler testified that a member could register a special for the purpose of making a price increase (Evidence, pp. 185-87, 240, 449-50). While Mr. Richman stated that "under no conditions is an account frozen" (Evidence, p. 187), the following excerpts show that the registration of a special, for whatever purpose, had the effect of protecting members who were

working on the particular account against price competition from other members for a limited period of time:

Mr. Fridhandler:

" MR. POWELL:

. . .

Q. . . . Do you recall what a Special Account was?

A. Yes, when a belt man raised a price to an account, that account was considered closed for the time being because invariably they went out shopping for another belt man then.

Q. So a Special Account was one where a price increase had recently been imposed?

A. That is right.

Q. Who would have knowledge of the Specials?

A. The Association office."

(Evidence, p. 59)

Mr. Shuman:

" MR. RUDNER:

Mr. Richman stated yesterday that every member was allowed two specials without giving any reasons, which specials were good for six months. I think that was the evidence he gave. He said they were allowed specials. I do not remember the evidence exactly. The question Mr. Powell is asking is: As a result of marking them 'special' and as a result of any competitor being told they were a special, did you expect them not to go there or did you expect them to call you before going?

A. I expect them to call me.

MR. POWELL:

If they called you and you told them the proposition involved, would you expect them not to conflict with

your proposition?

A. I would tell them what has happened and then it would be up to them. As a member I would expect them not to go.

Q. When you have registered a special?

A. Right."

(Evidence, pp. 242-43)

On this matter, the testimony of Messrs. Fridhandler and Shuman is corroborated by the evidence of some dress manufacturers, especially that of Mr. Hantin (Exhibit 14; Hearing, p. 70).

5. Agreements Concerning Price Increases

The agreements concerning price increases relate (1) to the way in which a decision to raise the price of a belt was arrived at when a dress manufacturer was being served by two or more members and also (2) to the maximum percentage of increase.

1) In his testimony (Evidence, pp. 48-49, 77, 438-40), Mr. Fridhandler said that in the early days of the Association, no price increase was made, unless the interested members were unanimous about it. Later in many instances the procedure followed was that of price leadership by the major supplier. Under this arrangement, if a minor supplier did not follow the leader, his conduct could be made the subject of a grievance.

2) The extent to which price increases were made by members was the subject of attention by the Association, as appears from the following extract from the minutes of a meeting held on May 6, 1958:

" . . .

. . . Discussion arose, in one or two rare instances members are taking advantage of the trade, members are not only trying to pass on increased cost, advantage is also being taken for abnormal profit. To avoid this situation it was decided in future no increase of price can exceed 10% of the current price, fractions of pennies would be carried forward to the nearest full penny, for example, belts selling from 10 - 19¢ to be increased by no more than 2¢

and proportionately as the price scale rises. . . .

. . . "

(Serials 336-37 at p. 2)

The evidence as to the effect and operation of this rule is not clear. On this point, Mr. Richman's evidence is as follows:

"Q. CMH 0237, serial 120, at the top of the page:
'Chaitman re Excessive price raises with Top
Style'.

A. That was shortly after he* came into the Association. Because he became a member of an association he was under the impression that we were going to give him full protection and backing on anything he did. One of the things he thought we would back him on was to go out to his customers and say 'This is raised 15 per cent, and you have no alternative but to give it'.

Q. From where did he get this idea?

A. That thing you have found called 'D-Day' I have never seen, but I have heard about it. Some of these fellows had these ideas, and Moe Rubin thought because he was a member he could go out and throw his weight around and do as he pleased. It was brought to our attention that Moe Rubin was throwing his weight around and threatening to raise prices and everything else, and Chaitman brought it up that he was seriously affecting goodwill towards us and doing something that the Association would not back him on, and we were to bring him in line and tell him that one of the things we would not help him do was become and dictate prices to his customers. We stopped him two or three weeks after he had come in the Association.

Q. It says 'Excessive prices raises'.

A. Yes, because he thought he could do anything he wanted as far as prices were concerned and we would back him.

* Mr. Moe Rubin of Topstyle Belt Inc.

Q. Would any of these accounts be specials?

A. No. He just felt we were going to back him on anything he did in the industry and we gave him a rude awakening and told him that he would get no support from us because we were not interested in helping him or anyone else. They could go out and get price increases but we would not back him by protecting him with his accounts. If he raised the accounts and the customer could get it cheaper, the customer would get it cheaper elsewhere and he would wind up out of business.

Q. Is there any difference here between Rubin's activities and other members' activities?

A. They are all in the same boat. They can lose any customer any day. If I want to get an increase from any of my people I go and talk to the men and explain that the costs have gone up, etc., etc., for various reasons and point out why I must get an increase on the annual fee. They can do that with anyone of their customers and in a gentlemen's way they can agree to get their penny or halfpenny increase if the customer will give it. Moe was trying to throw Association weight behind getting increases and that is what we stopped because we would not back him on that.

Q. Is there any form of giving backing to a member when the price increases are not excessive?

A. Under no conditions. We have nothing to do with their prices in any shape or form. They get their own business, they set their own prices and they cost their own product. . . ."

(Evidence, pp. 173-75)

Mr. David Rubin gave evidence to the same effect (Evidence, pp. 326-28). As to Mr. Moe Rubin, of Topstyle Belt Inc., he said he had no recollection of the discussions that took place at the meeting of May 6, 1958 (Evidence, pp. 111-12).

6. Agreements Concerning Maximum Discounts

That maximum discounts were fixed by the Association is established by the following extract from the minutes of an Associa-

tion meeting held on September 4, 1958:

" . . .

Mr. Epstein [Canada Belt] stated he has run into several instances whereby members were giving as much as 5% discount. It is strongly emphasized it is against Association policy at any time under any conditions to grant a discount of more than 2%. Members were warned never to make payment arrangement beyond this 2%.

. . . "

(Serials 358-60 at p. 3)

With respect to maximum discounts, Mr. Fridhandler gave the following evidence:

"A. . . . I was referring to where a belt man found himself in a position where he needed money desperately and he would go to the dress man and say 'I must have a cheque' and the dress man would say, 'Well, give me 5 off and I'll give it to you now, otherwise you will wait until next month.' They were trying to discourage that. There was an awful lot of that, and some of them were in pretty desperate circumstances and needed money in the worst say, and they were being taken advantage of."

(Evidence, pp. 50-51)

7. The Restriction of Canvassing

Canvassing of prospective customers appears to have been restricted by arrangements agreed upon by the Association members.

According to Mr. Fridhandler, "There was limited canvassing in certain periods, but there was no canvassing in others. There was never unrestrained canvassing . . ." "In the period where there was no canvassing nobody was allowed to take work under any circumstances other than the person for whom they happened to work before." When there was limited canvassing, the understanding was "that belt men would not go unless called by the dress manufacturer" (Evidence, pp. 421-23; see also pp. 36, 49 and 81).

That there were periods of limited canvassing is corroborated by some documentary evidence (Serial 316) and also by the evidence of Mr. Richman (Evidence, pp. 152-54; Hearing, p. 282), of Mr. Shuman (Evidence, pp. 235, 236) and of Mr. Baril (Evidence, pp. 266-67). However all three emphatically denied that accounts had ever been frozen. Nevertheless the following portion of the minutes of November 26, 1957 support the description of the practice given by Mr. Fridhandler:

" . . . A lengthy discussion was held regarding the decision re canvassing. Mr. Mendel [Mendell] explained this decision is very embarrassing because it is generally known the needle industry is going through a depressed period yet when a call is received to make samples the customer must be told 'Sorry I am too busy to do your work'. This not only is embarrassing it sounds ridiculous. Because members felt the original no canvassing decision was for the benefit of the industry as a whole yet it was agreed Mr. Mendel's viewpoint [was] quite logical it was decided, due to Canada's Belt [sic] position in the industry, also due to Mr. Mendel's position as the oldest and best known manufacturer in the belt industry in Canada Belt's case only calls received could be serviced and this office give the information required as to who else is working on the account. Mr. Mendel's word would be taken that he is taking on only phone inquiries and will not do general canvassing. . . .

. . . "

(Serial 348-49 at p. 1)

With respect to this extract, Mr. Richman gave the following evidence:

"Q. . . . Does this mean what it says?

A. What do you think what it says means? What is behind it is that the belt industry during the famous women's styles when there were no belts was a very sick industry. Some of the boys were taking advantage by running from door to door and telling stories about their competitors, doing anything to get work, and we wanted to cut as much out as possible. Most of these firms have salesmen out canvassing every day of the week. I imagine some are salaried and some commission men, and we wanted to cut out this business of six men going into one manufacturer, doing anything to get work. We wanted to keep canvassing to a respectable basis because it was getting to the point where it was

not any more.

Q. So, in fact, there was a ban on canvassing?

A. Not a ban, we were trying to control it.

Q. 'A lengthy discussion was held regarding the decision of no canvassing' and, later on, 'Because members felt the original no canvassing decision was for the benefit of the industry as a whole yet it was agreed Mr. Mandel's' [Mendell] -----

A. Wait a minute. I think we cut it out in November and January, the dead months as far as the belt business is concerned, but we still allowed them to pick up any calls. We did not freeze the industry but we wanted to avoid them running round looking [for] any work under any conditions.

Q. So there was a no canvassing -----

A. No canvassing, but they could still accept the accounts, they could accept any calls and take the work. We made sure we did not freeze it."

(Evidence, pp. 152-53)

8. The Prohibiting of the "Piracy" of Employees

According to some members, one of the important advantages secured from the Association was their protection against what they called the "piracy" of employees (Evidence, pp. 41, 324; Hearing, pp. 275, 311). On this subject, Mr. David Rubin testified as follows:

"... it used to be the practice before the Association that during the season time each one of us would try to hire the other fellow's help because in season time you can always afford to pay a girl an extra \$2 or \$3 or \$5 a week because that is when you need her and if she can produce you more work over that period of time it is worthwhile paying the extra \$2 or \$3 and so one would have more girls and another manufacturer would take some away."

(Hearing, p. 311)

To put an end to this practice, there appears to have been a rule within the Association designed to prevent a member from hiring an employee who was working for another member. This may be deduced from the evidence of Mr. Fridhandler (Evidence, pp. 40-41) and from the following extract from the minutes of a meeting held on July 31, 1957:

"Mr. B. Schwartz of Silver Belt offered his regrets for comments made at a previous meeting and the incident referred to is now considered closed. Mr. Schwartz referred to a past record whereby his firm had taken an employee from Approved Accessories, his firm was fined and was compelled to dismiss the employee concerned, he pointed out this employee has been out of the industry for 2 months and now wants to return to Silver Belt, he emphasized his need for help plus the fact two other employees threatened to resign unless the girl referred to is allowed to return to her job. After considerable and lengthy discussion an open vote was taken, the vote being 10 against 1 for, 1 abstained. Mr. Schwartz was told he cannot rehire this girl but it was understood Mr. Schwartz will list with us the two girls referred to and the Association would in any possible way protect him against their leaving Silver Belt and entering the employ of any other belt manufacturer.

. . ."

(Serials 363-64 at p. 1)

9. The Setting of an Initiation Fee

The minutes of a meeting held on October 7, 1958, contain the following:

" . . .

An application for membership was tabled from C & C Belt Co. This application being signed by the principal Mr. Mike Lastufka. It was felt this Association has come a long way since its organization. A good deal has been accomplished, in so far as trade practices, business ethics, etc. and the majority opinion was new members should be asked for an initiation fee of \$1,000. The Secretary reported Mr. Lastufka has already been told this and has stated he is in no position to make this kind of payment in view of which the application was turned down.

. . ."

(Serials 328-30 at pp. 1 and 2)

With respect to this document, Mr. Richman gave the following explanation:

"Q. Has the Association been approached to reduce the initiation fee of \$1,000.00?

A. Indirectly we have made the approach to him.

Q. By what method?

A. By having one or two of the members who are friendly with him to tell him. We had the same with Top Style [sic] after he resigned. We asked him for \$1,000.00 and we ended up with \$280.00 and a series of post-dated cheques. We approached C & C through some of our members, friends in the trade, asking why does he not make us a counter offer of \$50.00 and then we would come down to \$800.00 and finally probably come down to \$300.00, but he has never been sufficiently interested after the initial request."

(Evidence, pp. 196-97)

With respect to the initiation fee to be charged to DeLuxe Belts Ltd., Mr. Richman gave the following evidence:

"A. Once again, we have been trying to get DeLuxe to join for two years; we would get more people to go and see him and maybe he would like these faces better- that was the idea.

Q. What about initiation fee?

A. His own fee. If he said he would pay \$100.00 we would grab it for the prestige.

Q. Would there be more than prestige involved here?

A. In what way?

Q. Would it give the Association a coverage that it has not got now? Would that be what you mean by prestige?

A. No, it would give us the possibility of ten, fifteen, twenty beltmen who do not belong to the Association. DeLuxe is the only large one not in; if we had 100

per cent of the large ones the smaller fellow would feel it must be something, 'Maybe I can get some help if I join. Maybe I'll join too'."

(Evidence, p. 214)

As to Mr. Fridhandler, he testified that the fee was set at \$1,000 "to make it difficult for anyone to start in business" (Evidence, pp. 60-61).

10. Agreement Concerning the Goodwill
of Retiring Members

The minutes of a meeting held on February 3, 1959, state:

" . . .

. . . A recent case where a member desiring to give up the Belt business found it extremely difficult to get any where near his asking initial price, he not only lost a lot of time and effort but wound up selling his business at a price far lower than his initial anticipated receipt. This was considered to be extremely unfortunate and the suggestion has been made in future any member wishing to get out of the Belt business the Association will take over his good-will, any member doing work for any account taken over from the retiring member will pay a commission of 10% on all sales made to the new account for a period of one year. In this way, e.g. a member doing \$50,000 per annum can feel if and when he wishes to give up his business he will be assured of an income of \$5,000 over the next 12 months. Obviously, his income will be higher or lower based upon the volume that will be done. It was also decided no active member will be allowed to take over more than one new account, thereby, distributing the business as evenly and equitably as possible among other members.

. . . "

(Serial 318-20 at p. 1)

In the words of Mr. Richman,

"A. One of the rules, one of the benefits of the Association is that in case of sickness, accident or death of a member the Association will pay the dependents or the retiring member a commission of 10 per cent of his

last twelve months' sales, and we will help him sell his inventory and plant so a man does not walk out broke. He walks out with more than he can possibly get on the open market."

(Evidence, p. 205)

In June 1959, an amount higher than 10% of the previous twelve months' sales was offered to a member, but declined (Statement, pp. 83-102). Actually no member availed himself of the above rule which constituted a standing offer to anyone willing to retire.

11. Attempts to Interfere with the Businesses
 of Non-members

There is evidence of attempts by the Association to impede the business of non-members through pressure being put on either their customers or suppliers.

Information given by Mr. D. Pleskin was to the effect that Pleskin Inc., a dress manufacturer, discontinued the purchase of belts from two non-members, Mr. G. Isenberg and C & C Belt, because threats had been received that otherwise the Association members would refuse to sell belts to Pleskin Inc. (Exhibit 14; Hearing, p. 143).

With respect to interference with supplies to non-members, the evidence of Mr. Fridhandler is as follows:

- "Q. What was the machinery of applying the pressure?
- A. The threat of being treated as a non-member or the threat of not being able to obtain supplies, the sort of thing to which we have been subjected this past week.
- Q. You say the threat of being treated as a non-member. What would happen then?
- A. They would have difficulty in getting supplies. Coercion would be used to try to make them members.
- Q. They tried to get people to join?
- A. That is right.
- Q. This is to your own knowledge?

A. Yes.

Q. Have you yourself ever approached a non-member to become a member?

A. At the beginning, yes. I made the mistake at the beginning of thinking what we were doing was not serious. This was in the early months.

Q. You have mentioned inability to get supplies. How does that operate?

A. The members would try not to involve the Association; they would phone a supplier as individuals and threaten not to buy from that supplier, if he dealt with that particular person. The supplier would be in a position where, if he was making a living from twenty belt men exclusively, he would lose his complete clientele, or that portion of it upon whom he was depending for a living, and it is a very difficult decision to take even though he knew what he was doing was wrong. He would have almost no choice.

Q. Did the members find this method effective?

A. Yes, very.

Q. Do you know of any specific cases?

A. Top Style Belts, Cope [Vogue] Belt and C & C Belt.

Q. In each of those cases representations were made to impede the flow of supplies?

A. Yes.

Q. Your opinion is that these efforts were effective?

A. They were not entirely successful in each case but they were effective to some degree.

Q. Has any effort been made to cut off Classy Belt?

A. Yes.

Q. What firms have refused supplies?

A. Karavas Manufacturing. One firm has on the surface refused to supply us but is supplying us with merchandise. He has been coerced. If I mention the name he may be

put in jeopardy. The man is supplying us with merchandise. I do not think it is fair to name him. If you want me to name him I will, but in view of the circumstances perhaps you should excuse it.

Q. At any rate, that firm has not cut you off?

A. That firm has not cut me off but there are no invoices showing the transactions at the present time. However, Karavas Manufacturing is one example. Other places have not cut us off completely but we find difficulty in obtaining merchandise from them."

(Evidence, pp. 17-18)

Mr. Fridhandler also gave evidence to the effect that Approved Accessories with which he was connected and which was a supplier to belt manufacturers had refused supplies to DeLuxe Belts Ltd. on the instructions of the Association given to Approved Accessories Inc. as well as to some other suppliers (Evidence, pp. 21-22, 434-35).

The testimony of Mr. Fridhandler is corroborated by the evidence from three sources: Mr. Ungar, Secretary-Treasurer of Jody Inc., a dress manufacturer; a former member, Mr. Officer of DeLuxe Belts Ltd. and Mr. Koffler, an independent manufacturer of belts and buckles. In his evidence, Mr. Ungar stated that after having filled an order for Jody Inc., Sobo Belt Co. said they would prefer to invoice the belts as embroidery not as belts, because Jody Inc. was not one of their accounts and they did not want their supply of prongs to be cut off (Hearing, pp. 187-89). As to Mr. Officer, he explained the difficulties of DeLuxe Belts Ltd. in getting supplies (Evidence, pp. 345-47). Finally, Mr. Koffler described the efforts made by some Association members to keep supplies from Classy Belt Inc., after the latter had resigned from the Association in June 1959. Early in August, Mr. Moe Rubin of Topstyle Belt Inc. telephoned Mr. Koffler and in the course of conversation said: "if you do work for Classy Belt, don't do it, we will replace work of the Classy Belt, what they give you." (Evidence, p. 6x). Two or three days after this telephone conversation, Mr. David Beiss, of United Belt Co. Ltd., Mr. Henry Chaitman, of Dominion Belt Co., who is Mr. Koffler's brother-in-law, and a third gentleman who Mr. Koffler thinks was Mr. Richman, called at Mr. Koffler's place of business. With respect to this incident, the evidence given by Mr. Koffler included the following:

"Q. I think you told us that they come in and insisted on seeing some of your invoices and you showed them?

A. At first I don't want to but my brother-in-law put a

certain amount, not pressure but he asked me that I should show them, because I don't want to the first time. I said, I don't want to show you, you don't have to know anything, especially another belt manufacturer doesn't have to know what is going on in my place. Then they wanted to see inside in the shop if I have some work, and at that time I didn't have at all. It happened that day I didn't have any, so I say sure. I didn't have any work; as far as invoices was concerned at that time, I did do work for them but I don't report it in my invoices, I reported it on a sheet, a slip. So I showed them like I don't do any work for them. So they didn't find anything, but I did work for Classy just as for somebody else.

Q. Have you continued to do work for Classy?

A. Yes.

Q. Was there any suggestion made to you at any time that you were not to do work for Classy?

A. Afterwards nobody told me, no, but this, they asked me if I did work, that I shouldn't.

Q. That was your understanding?

A. That was my understanding.

Q. Do you know if the situation has changed any?

A. No, I don't know anything now if it has changed since.

Q. Let me ask you this then. Do you still hide the fact you do work for Classy Belt?

A. I do now, but I don't intend to; I intend to go through like with the others, not to hide. I don't intend to do it.

Q. From now on?

A. Yes.

Q. Up until now you have hidden the fact that you have done work for Classy Belt?

A. I did.

Q. Is the reason you have done that the fact that you might lose business if the other belt manufacturers found it out?

A. Definitely. "

(Evidence, pp. 7x-9x)

It is reasonable to assume from the joint action of three Association members in one of the foregoing incidents and from the participation of Mr. Richman in one, if not two of them (Evidence, pp. 5x-8x; Hearing, p. 273) that the participants were acting not as individuals, but as Association members, even though the practices indulged in were contrary to a statement of policy made by the Association in its early days (Serial 117).

12. Benefits Accruing from Membership
in the Association

Apart from any advantages that could possibly derive from the arrangements described above, the following benefits were said to accrue to members: 1) reduction of inventories through the ability to borrow from other members in case of shortage of materials (Evidence, pp. 171, 197-98, 326; Hearing, pp. 255, 276, 311); 2) cutting down of accounts receivable and curtailment of losses through interchange of credit information (Evidence, pp. 97, 323, 324); 3) help in case of overload of work, sickness or death (Evidence, pp. 98, 172, 326; Hearing, pp. 255-57, 270); 4) co-operation of the Association in dealing with tariff problems (Evidence, pp. 171, 246, 325; Hearing pp. 275-76).

Firstly, in case of shortage of supplies members could easily borrow materials from one another. On this subject, Mr. David Rubin said:

"A. . . . In spite of the fact that I am one of the largest manufacturers, in our type of business we cannot have enough materials. I run forty-seven shades of plastic and the customer may ask me for another shade, and before the Association I would have to call up New York and have it sent in by aeroplane, and there was great cost involved. Since the Association we have learned to be friends and we help each other out with materials and labour. . . ."

(Evidence, p. 326)

As to Mr. Richman, he gave the following evidence:

"Q. How did it help so far as inventories were concerned?

I mean how did the organization of this Association help the members insofar as inventory was concerned?

A. They require much less inventory.

Q. Why?

A. Because whereas before a man would have to carry all sizes in plastics and various types of materials, with the help he could get from fellow members anything he ran short of, whether a yard of material or a half roll of material he could obtain within 20 minutes or half an hour from a fellow member and replace it subsequently when he bought his own merchandise."

(Hearing, p. 276)

It is evident that the exchange of materials in the manner described would help members to reduce their inventories and, consequently, their costs.

Secondly, a monthly report published by the Association enabled the members to cut down their accounts receivable and to curtail their losses. On this matter, Mr. David Rubin made the following comments:

" MR. POWELL:

. . . What advantages have you considered your firm has had from membership in the Association?

A. Our biggest advantage is the fact that we have cut down our accounts receivable so that we do not have too many accounts outstanding over 30 days.

Q. How does that accrue from membership in the Association? What is the connection?

A. Well, we watch ourself. In other words, if a man owes me for more than 60 days I go out and tell him I cannot work for him if he is not going to pay me within sixty days.

Q. Does connection with the Association enable you to enforce payment? You say this is an advantage of membership?

A. The dress men know we are members of the Textile

Wholesalers and if we put in a report to our Association, to the Textile Wholesalers Association, that 'X' manufacturer is a slow payer it is published in a bulletin and therefore the man does not want it to to [be] known in the trade that he is not paying well, so he will pay his bills."

(Evidence, pp. 323-24)

Thirdly, it is in evidence that mutual help could be relied on in case of overload of work, sickness or death. When Mr. Mendell passed away, some members devoted the necessary time to help the heirs to complete the orders (Hearing, pp. 255-57). The same assistance was provided to Mr. Shuman, when he had suffered from a fire (Hearing, p. 256) and to Mr. Moe Rubin of Topstyle Belt Inc., when he was sick (Evidence, p. 172).

Finally the Association had endeavoured to have the customs duties of $22\frac{1}{2}$ per cent on buckle and button moulds not manufactured in Canada reduced to a nominal rate. A brief was submitted to the Tariff Board but no adjustment in rates of duty had been secured up to the time of the inquiry (Evidence, pp. 171, 246, 325; Hearing, pp. 275-76).

CHAPTER IV

APPRAISAL OF THE PRACTICES AND ARRANGEMENTS OF THE BELT MANUFACTURERS ASSOCIATION OF MONTREAL

1. The "Cut-up" Belt Trade as a Manufacturing Industry

In an argument before the Commission, it was submitted that the "cut-up" belt trade is "in large measure, a service industry rather than a manufacturing industry" (Hearing, p. 438). This argument has application only with respect to that part of the trade where the cloth used in the manufacture of belts, being the same as for the dress itself, is supplied to the belt maker by the dress manufacturer (Hearing, p. 259). What part of the belt trade is conducted in this way is not shown by the evidence. In such a case, the function of the belt maker is to pick up the cloth, cut it, put a backing on it, punch eyelets, attach a buckle and return the finished belt to the dress manufacturer. Even in such a case the belt maker does more than provide mere services. He provides part of the materials and he produces an article or commodity which did not exist previously and which may be the subject of trade and commerce. For that reason, the "cut-up" belt trade is clearly a manufacturing industry, whether or not the cloth is supplied by the dress manufacturer.

2. Interference with Freedom of Trade

In the absence of restrictive trade practices, entry to the "cut-up" belt trade should be relatively easy. According to the evidence given by Mr. Baril, a person could start a business with about \$200. For limited operations one could begin with sewing machines, and a plain cutting knife. Mr. Baril himself started with an investment of \$900 in 1946 (Hearing, p. 359). For an association, in such circumstances, to establish an initiation fee of \$1,000, as was done by the Association, is indicative of a belief that the members jointly had a substantial degree of control over the trade. It may have been the case, however, that the initiation fee of \$1,000 was intended by the Association to be an "asking" fee which might be reduced by negotiation. Nevertheless, knowledge of such a rule and of the restrictions attempted by the Association might discourage a would-be entrant to the trade. In this respect it may be of some significance that the only firm mentioned as entering the field since the Association was formed in early 1957 was C & C Belt.

As was pointed out previously, its application for membership was turned down because the firm was in no position to make a payment of \$1,000 (Serials 328, 329). Subsequently its supplies were interfered with (Evidence, pp. 17-18) and one big customer, Pleskin Inc., was lost because of pressure exerted on that firm by the Association (Exhibit 14; Hearing, p. 143). It is a fact that despite these difficulties C & C Belt survived, but it should be free to conduct its business in open competition with others in the trade without encountering restrictions imposed by a trade combination.

It has been shown by the evidence that influence was exerted on dress manufacturers to induce them to deal with belt makers who were members of the Association. Thus G. Isenberg ceased to be patronized by Pleskin Inc. because of pressure put on the latter by the Association (Exhibit 14; Hearing, pp. 142-43). Moreover, the evidence discloses that influence was exerted on suppliers of materials to induce them not to deal with non-member firms. The Association interfered with the supplies of at least four firms in addition to C & C Belt, namely, DeLuxe Belts Ltd., Topstyle Belt Inc., Vogue Belts and Novelties Mfg. Co. Ltd. and Classy Belt Inc. With the exception of G. Isenberg who went out of business (Evidence, p. 166; Hearing, pp. 148-49), all the other firms are still operating. However, it is significant that Topstyle Belt Inc. and Vogue Belts and Novelties Mfg. Co. Ltd., which had been out of the Association for some time, decided to resume membership (Evidence, pp. 17-18, 56-58, 135-36, 197-98 and 200-201). It is evident that an unnecessary burden is placed on non-member firms when they are unable to secure supplies from regular trade sources. Mr. Officer of DeLuxe Belts Ltd. said that every time he encountered some difficulty in getting supplies, he was eventually able to fill his requirements from "less convenient" and "more expensive" sources (Evidence, p. 346). While it is shown by the evidence that non-member firms exist in the "cut-up" belt trade, independent firms with limited resources could be greatly handicapped in enlarging their operations by restrictions attempted by the Association in regard to customers and sources of supply for materials.

3. The Lessening of Competition with Respect to Customers and Prices

In our opinion the restrictions developed by the Association with respect to customers and prices have interfered substantially with competition in the "cut-up" belt trade.

Agreements not to canvass other members' customers had the same effect as an allotment of customers between members, since no one was allowed to take work except from a customer for

whom he had been working. Even during the periods of limited canvassing, the registration of a special had the effect of temporarily preventing any member not already working on the particular account from accepting work for it. Furthermore, even when no "special account" was registered, agreement on prices on a customer basis eliminated the main incentive a dress manufacturer might have to switch from one belt maker to another, that is a price reduction. Finally, it is shown in the evidence that there was, on the part of the Association, a standing offer to buy the business of any member willing to retire and also an agreement among members to share any such business.

With respect to prices, it seems that at no time was there such a thing as an Association price list (Evidence, pp. 51, 412, 448). Indeed, the change in belt materials and styles in response to changes in clothing fashions probably made impossible the establishment of a price list for any wide range of belts. Consequently the fixing of the price charged to a particular customer was left for settlement among the members actually working for that customer. However, it should not be concluded that there were only individual agreements, but no general arrangement among Association members with respect to prices. Agreements concerning registration of accounts prevented a new supplier from underquoting the registered member. Agreements with respect to specials had the effect of eliminating all competition from other members when a price increase was made by the current supplier. These were collective agreements as were the limitations put on canvassing and the fixing of maximum discounts. They all affected actual prices charged to individual dress manufacturers.

Indeed, simple though these arrangements were, and provided the parties generally adhered to them as the fact was, it is difficult to conceive a more effective price fixing scheme in connection with a non-standard commodity.

4. The Price Arrangements and Their Economic Effects

It is significant that many price increases took place shortly after the birth of the Association. Till then, in spite of rising costs (Exhibits H-10, H-11, H-12; Hearing, pp. 108, 117, 133-34, 253-54, 383-84), no price increase for belts had been experienced by the dress manufacturers who gave evidence before the Commission for a period varying from two to ten years (Hearing, pp. 71, 87-88, 108, 114, 132-33, 198, 213). Some described the increases made after the formation of the Association as being "not oppressive" (Hearing, p. 75), "very fair" and "quite considerate" (Hearing, p. 117), "not unreasonable" (Hearing, p. 134) and "not excessive" (Hearing, p. 214). The only one who complained was Mr. Zinman. To his mind, the

normal pattern would have been to increase the price by one cent instead of two (Hearing, pp. 207-08). From these remarks, it may be inferred that the dress manufacturers, as a group, were objecting not so much to the extent of the particular price increases as to the manner in which the increases had been brought about (Hearing, pp. 75, 133, 207). The element of competition had been removed in large measure in their dealings with belt manufacturers not only with respect to price but also with respect to the belt makers from whom supplies could be purchased. Although belts constituted only one item among many which go into the manufacture of a dress the removal of competition in this field was not without significance. On this point, Mr. Fridhandler gave the following evidence shortly after he had withdrawn from the Association:

"Q. Is your price different now from what it was two months ago?

A. Yes.

Q. What is the price?

A. It varies because not every manufacturer uses the same backing; the buckle is not the only consideration in the price of the belt.

Q. In what degree would it vary?

A. I can give you a specific instance if you like.

Q. Do that.

A. A belt for which I would have had to quote fourteen or fifteen cents before I am now quoting eleven and twelve cents and making a reasonable profit."

(Evidence, pp. 12-13)

While at the height of the season when belt makers are fully occupied a dress manufacturer would have difficulty in shifting his source of supply for belts, there are other periods when, in the absence of restrictive arrangements, there would be active rivalry. This is illustrated by the following extract from the minutes of an Association meeting held on September 4, 1958:

" . . .

. . . DeLuxe Belt is in a very preferred position because when members attempt to get an increase in price manufacturers can go to DeLuxe and make their own deal, so far one member reports loseing [sic] 2 accounts and

another reports he is only getting half the work out of one of his accounts because in all cases DeLuxe has stepped in. . . .

. . . ."

(Serials 358-60 at p. 1)

It appears that, because of the price structure for dresses at the retail level, an increase in the price of a belt is unlikely to increase the price of the dress to the consumer. The nature of the retail price ranges for dresses is described as follows in the evidence given by Mr. Rosenbloom:

" THE CHAIRMAN:

Q. There is one thing I would like to get clear arising out of answer given a moment or two ago. You referred to the historic selling prices of the industry. Did you mean by your reference to \$1.00 that taking the selling price on the dresses historically the price would only alter by a dollar or multiples of a dollar?

A. It all stems, of course, from the retail industry where they sell garments at certain prices. A store selling, for example, a garment for \$19.95 retail will buy garments at a given price range only to go into that. If a garment costs you more it cannot sell at \$19.95, it may sell at \$25. So you have a historic system of pricing in the industry that when you are building an individual garment you sometimes will find that the price you had hoped to be able to sell for \$19, its costing is too high and therefore you will add to the garment in the way of trimming or in the way of possibly more material and you will build it to sell at possibly a \$25 historic price. There is a historic system in selling prices.

Q. You mean by a historic system that there is a scale of prices which is fairly well fixed at which dresses of certain quality are sold?

A. The scale is fairly well fixed in that it is consumer-accepted throughout North America. North America has a consumer-accepted price system and a dress is very rarely except on promotions sold at \$10.50 in a store. It will be \$9.98 or \$10.98 but you will

very seldom find a dress selling at \$10.50."

(Hearing, pp. 54-55)

It is obvious that in such circumstances an increase of a few cents in the price of a belt is unlikely to alter the retail price of the garment. This view is supported by the evidence of the dress manufacturers. They all stated that the retail prices of dresses had not been increased because of a higher cost of belts (Hearing, pp. 53, 71, 85-86, 109, 119-20, 134, 201-02, 217).

However, it does not follow that the increases were necessarily absorbed by the dress manufacturers. It is true that this happened in some cases (Hearing, pp. 71, 109, 121), but as Mr. Rosenbloom pointed out in his evidence:

" . . . An increase in the price of a belt of ten per cent or 15 per cent I do not believe would increase the price to the consumer but it might mean that a belt of a lesser quality would have to be substituted in its place. . . ."

(Hearing, p. 53)

Evidence to the same effect was given by Mr. Hantin:

" . . . I paid the price that I was asked, if I could afford to. If I couldn't and had to change the style of the belt, I did so."

(Hearing, p. 75)

On the other hand a price increase in a belt may be reflected in the overall quality of the garment, not only through the purchase of a cheaper belt, but also by altering some other feature of the garment. This seems to have been the result in some particular cases (Hearing, pp. 134, 214).

Finally, it is apparent that the Association arrangements encouraging the fixing of prices on a customer basis would increase the likelihood of discriminatory prices being charged to different customers for the same belt by the same maker. This conclusion is borne out by the following evidence given by Mr. Fridhandler (Evidence, p. 426) and Mr. Chaitman (Hearing, pp. 399-400).

Mr. Fridhandler:

"Q. Was it a fact that on occasion a belt manufacturer would be selling one customer a belt at one price and selling the same belt in roughly the same quantity to another dress manufacturer at a price which was quite different'

A. That is right."

(Evidence, p. 426)

Mr. Chaitman:

"Q. Do you have your plant geared to where you can sell a belt to one customer at one price and someone else at another price?

A. Yes.

Q. In the same quantity?

A. I can't think of it offhand but I am sure we do. It depends on how the customer is receptive to paying the price. You are asking why some come in under lower prices?

Q. Yes.

A. There was one customer we were working with and we charged 11 cents. The belt cost me \$1.00 a dozen, labour and material. My accountant says that on top of labour and material you have to put 50 per cent to make a profit. We were selling it for 11 cents and he comes along and says: 'We can't pay the 11 cents, we will pay you ten cents' so we made it for ten cents. This was at \$1.10 a dozen and then he said: '\$1.00 a dozen'. We worked it out at \$1.00 a dozen and the labour and material was \$1.00 a dozen, I know it sounds fantastic and this continued for a long time until we spoiled some goods and he wanted a credit note for \$18.00. I said before we will give him a credit note let us see what we are making on this belt. I looked it up and saw what we were making and that is when I raised his price.

Q. And he paid the price?

- A. No, we lost the customer. They beat the price down. That is the way all prices get set."

(Hearing, pp. 399-400)

5. The Bargaining Power of the Belt Makers
and the Relative Size of Firms

It was stressed in argument before the Commission that "the belt manufacturing industry of Montreal . . . is and has been a weak, unstable, chronically depressed and relatively powerless group serving a single set of masters who are its only customers" and that "the balance of economic power" lies in the hands of the relatively powerful dress manufacturers (Hearing, pp. 437-40). It was contended that through the Association the members sought merely to improve their bargaining position in relation to the superior power possessed by dress manufacturers and to introduce a measure of stability into an unstable industry.

It is apparent from the figures given earlier in this report as to the total volume of business done in the "cut-up" belt trade in Montreal that the industry generally consists of small scale firms, the majority of which are unincorporated. The average volume of business in "cut-up" belts done by member firms in 1957 was about \$75,000 and the value of sales of "cut-up" belts by individual firms ranged from less than \$15,000 to over \$200,000. The four firms with the largest sales did about 47 per cent of the total business.

It is true that the "cut-up" belt manufacturers, as the suppliers of merely one component of a garment, had to wait for the orders of dress manufacturers before making their products. This is not an unusual situation as there are many fields of manufacturing in which "parts" or supply makers operate. In some fields the industry to which parts are supplied is much more highly concentrated than is the dress manufacturing industry in Montreal.

In the city of Montreal there are approximately 450 dress manufacturers with average annual sales of about \$245,000 (Exhibit H-1; Hearing, pp. 20, 30-33). The annual sales of the five dress manufacturers who gave evidence before the Commission ranged from about \$300,000 to \$2,000,000. These firms would be among the larger establishments and there would be many relatively small firms with annual sales below the average for the industry. We already know that to all of them, whether large or small, quick service and delivery in the supply of belts are of paramount importance, as any delay in having belts made up would hold up the completion of a line of dresses. For this reason, the belt maker who had a number of dress manufacturers as customers had

considerable bargaining power at the peak of the season and a dress manufacturer who wished to be in a favourable position at that time would not be overly inclined to take any advantage which might arise in the slack period when his own requirements would be at a minimum. Some belt makers also engage in other lines of activity and are not completely dependent upon the production of belts for the "cut-up" belt trade.

It must be borne in mind that the economic power which the members of the Association secured by joint action was exercised not only with respect to the dealings of the members with their customers but also for the purpose of putting difficulties in the way of non-members in securing supplies or getting orders for belts. It is obvious that the independent belt maker had no means of protecting himself from the unfair methods which could be used against him by the concerted pressure of firms comprising the bulk of the industry. Such power was also used by Association members against their own employees. As has been shown there was a rule within the Association to prevent a member from hiring an employee who was working for another member. In such circumstances an employee with a degree of specialized skill who was dissatisfied with his employer might find it difficult to secure other employment in the "cut-up" belt trade.

6. Conclusions

It is the conclusion of the Commission that the restrictive practices and arrangements of the Association, as described in the evidence reviewed in this report, do not relate only to one or more of the matters specified in subsection (2) of section 32 of the Act. The Commission is also of the opinion that these practices and arrangements were against the public interest. They were clearly intended to lessen competition in price and to secure a measure of allocation of business among members as well as to place obstacles in the way of new firms entering the industry and to restrict the business available to non-members. It is the opinion of the Commission that normal competitive conditions would be re-established in the "cut-up" belt industry in Montreal if the restrictive arrangements of the Association were abandoned. In order to ensure this result it may be desirable to take the necessary steps to seek a court order which would restrain the members of the Association from continuing or resuming such practices or arrangements.

(Sgd.) C. R. Smith
Chairman

(Sgd.) A.S. Whiteley
Member

(Sgd.) Pierre Carignan
Member

Ottawa,
December 16, 1960

APPENDIX

THE D-DAY LETTER

"Dear Henry:

I am enclosing herewith a summary or guidance instructions for approval by the executive. This suggested guide would be used by the 'Educational Committee' in it's work of preparing members for 'D' day (March 1st).

I would suggest that members be summoned in small groups before this Educational committee before next Tuesdays meeting so that they know what is expected of them after March 1st. If there is something which they do not agree with they will have their opportunity to voice their objections at the next general meeting. It is imperative that 100% unanimous approval be had from every member to every aspect of this plan. Any discensions [sic] must be ironed out before the plan goes into operation.

Should the executive feel that I should take on the chairmanship of this Educational committee I will be glad to accept this responsibility. Should there be anyone else that the executive feels is more suited for this position, please feel free to use this prepared guide if acceptable.

Trusting this enclosure will prove of some worth to the executive and awaiting your further decision, I remain

Cordially yours,

'S. Fridhandler'

Sam Fridhandler

SF/s.

P.S. I have made two extra carbon copies of the enclosures should you wish to have one forwarded to any other member of the executive.

Dos and Don'ts for operation 'Phase I' -- D'day, March 1, 1957.

1. Don't solicit any work from any account that you did not sell between July 1st, 1956 and Feb. 19th, 1957, for a period of 2 months beginning Mar. 1, 1957.
2. Don't take on any work from unsolicited customers who may call you who you have not worked for during the same basic period. Should you receive a request from such a customer you will do one of the following:
 - (a) Advise them that you are too busy to handle their work at the moment and that delivery will be 3 or 4 weeks-- if you are given the work on a 3-4 weeks basis take the work but do not make up the belts, advise the customer 3-4 weeks later that it will take longer. Repeat this process until the customer asks for the lot back or better still return the lot to him.
 - (b) Quote them a price that you are sure is higher than what the beltmaker or beltmakers working there are charging. Check this with the actual beltmakers in question if you know who they are and if you have no way of knowing who the belt-makers are play it safe and quote extra high to be sure.
3. Don't tell anyone that you can't take the work from them because of the association or of any collusion between you and any other beltmaker or beltmakers. Never under any circumstances admit this in any way.
4. Don't mention the name of any individual working or belonging to any member in any way derogatory to him. No individual or member firm may be used in any way relating to the association either as a leader, director, officer, or in any indirect manner that would put him in a bad light as far as the needle trade is concerned.
5. Do try and raise price to some of your customers moderately and where you can be absolutely sure you are on safe ground. This is only the first phase of a series of raises that will follow over a period of time. Don't try to accomplish everything at once or you'll be in for a lot of disappointments. Suggested targets:

- (a) Accounts where you are working for nothing or losing money so that the risk is negligible in case something goes wrong.
- (b) Accounts where you are sure you are working exclusively or where you are sure you know all the other belt makers working there. If you are not absolutely sure of either of these 2 things your risk is greater and you will be proceeding with substantial risk, and it would be advisable to wait for 'phase 2' a month or so from now when, if all members submit list of accounts, you will be able to find out exactly who is working at any particular account and work out a deal with them all without fear of anyone being left out. In the meantime for 'phase I' this is not possible so don't raise unless you know you are on safe ground. If someone is working at an account, and you don't know about it to advise him of the price increase you are putting through he cannot be blamed for it.

6. Do tell your customers only the following as reasons for raising your price:

- (a) Materials such as backing, buckles, etc. have gone up in price.
- (b) Labour has risen drastically.
- (c) Your accountant and bank manager tell you that you are losing money, or at best working for nothing.
- (d) That you have yourself and a family to feed, clothe, etc. and you must make a living like any other human being.
- (e) That a penny or two, as the case may be, will not affect him appreciably whereas a penny or two from all of your customers added together make the world of difference to you.
- (f) Appeal to his sense of fair play, sympathy, etc.
- (g) Assure him that you work very hard to please him and that the line you are in is not a bed of roses.
- (h) Assure him that he in your position wouldn't chose [sic] to work as hard as you do for as little remuneration.

7. Do try and work with fellow members when they call you and ask you to work with them on a price raise project. Discuss the matter in confidence with him and try to arrive at a unanimous course of action within the limits and suggestions incorporated in this plan for 'Phase 1'.

8. Do make an effort to try this course of action to satisfy yourself on the integrity of your fellow members. A grievance committee is being set up to deal with irregularities, malpractices, etc. Every effort will be brought to bear on any offenders to make restitution for any infringement should they arise. Genuine errors will be dealt with more sympathetically but here also restitution will be tried. Eventually a full time administrator will be hired to investigate complaints with rights to inspect books, shipments, etc. of every member. Non-members too will be taken care of in due course and in the meantime should be treated as a minor nuisance.
9. Do not figure the period from Feb. 19th to Mar. 1st, 1957 towards establishing whether an account was active with you. If you worked for an account during this period but did no business with them during the basic period July 1st, 1956 to Feb. 19th, 1957 it is not your account and you must cease working for them after Feb. 28th.
- 10.

Things to expect around 'D' Day and what to do about them.

1. You can expect many calls from customers who you may or may not have worked for before. First check to see whether they are one of your active accounts. If not refuse the work. If yes, proceed cautiously because it may be that someone else who is not aware that you too have sold them, has raised the price. Try to find out who else is working there if possible to find out whether there has been any price increase. Proceed very slowly with any price quotations during the 2 months of 'Phase 1', particularly around Mar. 1st when almost all members will be doing some price raising and customers will be out shopping.
2. You can expect all kinds of bribes, offers, underhanded deals, etc. to to [be] offered you by potential customers. Remember that you stand the chance of losing every benefit you may be hoping for now, and in the future, if 'Phase 1' does not work out. Don't be tempted into a fast buck now and forsake the benefits from a permanent good think [sic] that will be highly remunerative for a long time to come. In the long run you stand to make much more working with the members than any amount you may profit by one, or even a few such crooked deals. Remember too

that these deals never remain secret for long. In 2 short months, maybe less, you'll know that you can depend on your fellow members 100%. If it doesn't work out you haven't much to lose anyway; if it does work you stand to gain a great deal. The odds are good, gamble with the members, not against. Your trust may be rewarded by reciprocated trust.

3. You can expect the customers whose price you raise to threaten you with no more work and to call round town for prices. The motion passed by the association forbids all members from taking work from accounts that they did not work for during the basic period. After a few days of trying your customer will calm down and accept the new price peacefully. In the 2 months during which members will not service your customers you will have time to rebuild any lost goodwill.
4. You can expect almost 100% positive results if you follow these directions exactly. Remember this plan is not 100% foolproof and if three out of four increases stick and something goes wrong on the fourth you'll still be better off with 3 accounts that you will be making money with than the original 4 with which you were not making anything at all. In the past few months most members have effectively executed a large number of price increases to their own customers by following these rules. It is therefore an established fact that this formula can work effectively if there is 100% co-operation. Have confidence in the plan.
5. You can expect the few non-member belt manufacturers to pick off the odd few accounts. You may be unfortunate to lose an account or two to one of them. There is a limit to how much they can do as they are all very small outfits. Treat them as minor nuisances [sic] and if you lose the odd account to them write it off as the price for the other increases you will obtain.
6. You can expect many situations to arise that may affect you in many ways, some detrimental. In a situation as complex as our industry finds itself today it is impossible to anticipate every eventuality. Don't blow up at the first thing that doesn't go your way. We have now a grievance committee that will go into any complaints--give them a chance to deal with these matters as they arise. If you do not receive complete satisfaction every time, here, again, write it off as the cost you must pay for the other increases you obtained--they'll more than offset any losses you may feel you suffer in these few cases.
7. You can expect to be extremely sorry if this plan does not work out."

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